

AR08

Mount Costigan Mines Limited

Annual Report

1964

NICKOLAS AXIOTIS
Warren, Ohio
Contractor and Business Executive

ALEXANDER MONTMINY
New Bedford, Massachusetts
Executive

DONALD GRAHAM MUNRO
Ottawa, Ontario.
Previously Management Consultant
with the firm of W. Wallace Muir &
Associates Ltd. of Ottawa, Ontario

BOARD OF DIRECTORS

JOHN EVANS RIDDELL
B.Eng., M.Sc., Ph.D.
St. Andrews, N.B.
Consulting Geologist

WILLIAM LEE YOUNG
B.Sc., M.Sc., Ph.D.
Ottawa, Ontario
Consulting Geologist

PRESIDENT:

William Lee Young

VICE-PRESIDENT:

John Evans Riddell

SECRETARY-TREASURER

Donald Graham Munro

OFFICERS

MOUNT COSTIGAN MINES LIMITED

President's Report To The Shareholders

The year 1964 was one of accomplishment and steady growth for your company. Exploration and development of the company's mining claims, acquisition of promising new properties and a program of metallurgical research were activities which were all pursued vigorously.

HIGHLIGHTS OF 1964

Two major events, which greatly increase the stature and long term worth of the company, highlight the year's business:

- In August, the shares of the company were accepted for trading on the Canadian Stock Exchange in Montreal, thereby facilitating the trading of shares and the raising of capital for various projects. In view of the fact that qualification for listing has been substantially raised, your Directors feel that the acceptance of the company by the Canadian Stock Exchange is a major milestone in the company's development history.
- In September, an agreement with Broken Hill South Limited (B.H.S.) was signed to further the development of the company's Mount Bischoff tin property and large concession in Tasmania, Australia. B.H.S. is one of Australia's oldest and largest mining concerns.

A new company, Comstaff Proprietary Limited, Melbourne, has been formed for this purpose. Comstaff is incorporated in the State of Victoria, Australia, having a nominal capital of Five Hundred Thousand Australian Pounds divided into one million shares of Ten Shillings each. The authorized capital is to be increased from time to time as may be necessary.

Mount Costigan will receive ten per cent of the issued capital of Comstaff as B.H.S. buys shares at par from the Treasury up to three million Pounds Australian. When a metallurgical process under development by Geo-Met Reactors Limited for Mount Costigan is proven satisfactory for the treatment of Mount Bischoff ores, then Mount Costigan will receive a further eight per cent of the issued capital for a total of eighteen per cent.

ACTIVITIES DURING 1964

Metallurgical Research

During the winter months metallurgical research carried out on behalf of the company by Geo-Met Reactors Limited was pushed ahead at a

rapid rate, culminating in the construction of a pilot plant for the continuous chloridization of low grade concentrates from the Bischoff tin ores. Experiments showed that a high recovery of the tin in the concentrates could be effected economically as tin chloride. During the balance of the year experiments were conducted to reduce the tin chloride to pure tin metal. Bench testing along these lines indicates this will be feasible.

As a considerable proportion of the tin in the Bischoff type of ore is lost during concentration to high grade concentrate required by conventional smelters, our chloridization process, requiring only a low grade concentrate, effects a much higher overall recovery of the tin and thereby greatly improved the over-all economics of this type of operation. Patents have been applied for in various parts of the world. Your company owns a thirty per cent interest in the process.

In the near future it is hoped to move the pilot plant to Australia where extensive on-site tests on the ores can be carried out.

Mining Exploration and Development in Canada

During the 1964 field season, development work on our Lake Ainslie and Gabarouse Bay properties in Nova Scotia was advanced. Further geochemical and geological studies were extended and 3,088 feet of diamond drilling was completed. Although copper-molybdenite-bismuth mineralization was intersected and much valuable geological information obtained, no ore intersections were cut. The information from this program has enabled us to plan a more effective property development program for the coming field season.

Of particular significance to our Gabarouse molybdenite-bismuth property is the fact that Mariner Mines Limited has made an important molybdenite-copper discovery in Cape Breton, a few miles west of our property, in a similar geologic environment.

Two new properties were acquired during the course of the year. Both are located in the Bathurst area of New Brunswick where large deposits of copper-lead-zinc-pyrite are now being mined and where a one hundred million dollar steel-fertilizer complex is planned by the Brunswick Mining and Smelting Corporation.

The properties, consisting of claims held under option, as well as in the company's name, are known as the O'Hearn Brook and the Middle River properties, of 4,885 and 800 acres respectively.

The O'Hearn Brook property is located four miles north and in the same geologic unit as the Wedge Mine, a copper producer owned by the Consolidated Mining and Smelting Company. This property was acquired because of the favourable geology and widespread anomalous geochemical conditions for copper, lead and zinc in the stream sediments and soils. Regional exploration work last season delineated a target area as the probable source of these metals. This initial work was followed up with more detailed geochemistry and geophysics and three exploratory drill holes were put down to test various anomalies. No commercial mineralization was encountered but it is planned to return this season to test other anomalies with drilling.

The Middle River property, held under option, is located six miles northwest of the large Brunswick Mining and Smelting No. 12 orebody which is now in production. The property was acquired on the recommendation of our Consulting Geologist, C.G. Cheriton, Ph.D., P.Eng., who reported, "There is a very interesting gossan zone in the center of the group which appears to have been derived from massive sulphides." It is planned to carry out geophysical surveying in an effort to locate the sulphides which have produced the gossan.

Other Interests

During the month of April, several tin properties in Spain were geologically examined. These properties appear to have an excellent potential for tin-bearing orebodies. Negotiations with the Spanish interests in an attempt to reach an agreement are consequently progressing.

PLANS FOR 1965

Your company intends to carry out an aggressive exploration and development programme in the coming year and sufficient funds are in the Treasury to meet our planned expenditures. Current net cash position is \$68,350.00.

I would once again like to thank you for the strong support and great faith you have shown.

Submitted on behalf of the Board of Directors,

William L. Young, M.Sc., Ph.D.
President and Managing Director

June 10th, 1965
Ottawa, Ontario

ARTHUR A. CRAWLEY & CO.

Chartered Accountants

387 Albert Street

Ottawa 4, Ontario

March 9, 1965.

To The Shareholders,
Mount Costigan Mines Limited.

We have examined the balance sheet of Mount Costigan Mines Limited at December 31, 1964, and the statements of deficit and administrative and exploration expenses deferred for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and supporting statements of deficit and administrative and exploration expenses deferred, supplemented by the notes appended thereto, present fairly the financial position of the company at December 31, 1964, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR A. CRAWLEY & CO.

MOUNT COSTIGAN MINES LIMITED
(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET
December 31, 1964

ASSETS

CURRENT:

Cash	\$114,485.86	
Prepaid expenses	<u>114.46</u>	\$114,600.32

FIXED: (at cost)

Office equipment	1,510.15	
Mining and geology equipment	<u>515.00</u>	2,025.15

INTEREST IN MINING PROPERTIES AND MINING COMPANY: (at cost)

11 patented mining claims in the Province of New Brunswick (original 48 claims of which 37 have been permitted to lapse, acquired for 900,000 common shares of the Company)	90,000.00	
88 unpatented mining claims in the Province of New Brunswick at cost of staking and recording	1,838.75	
220 unpatented mining claims in the Province of Nova Scotia at cost of acquisition	250.00	
Options on mining properties	2,001.00	
Regional data	1.00	
Common shares of Comstaff Proprietary Limited - note 1	86,616.70	
Administrative and exploration expenses deferred:		
Administrative expenses - schedule 1	70,406.44	
Exploration expenses - schedules 2 and 3	<u>155,949.71</u>	407,063.60

OTHER:

Incorporation expenses	1,500.00	
Mount Bischoff Tin Mines Limited - advance for incorporation	<u>1,806.56</u>	<u>3,306.56</u>
		<u>\$526,995.63</u>

Approved on behalf of the Board:

WILLIAM LEE YOUNG Director.

DONALD G. MUNRO Director

MOUNT COSTIGAN MINES LIMITED
(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET
December 31, 1964

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT:		
Accounts payable and accrued liabilities	\$ 18,984.48	
Income tax deductions payable	<u>243.10</u>	\$ 19,227.58
SHAREHOLDERS' EQUITY:		
Capital stock authorized:		
200,000 5% non-cumulative preference shares of		
\$1.00 each, redeemable at par - total \$200,000.00		
5,000,000 common shares without par value, aggregate		
consideration not to exceed \$2,500,000.00 - note 3		
Capital stock issued:		
128,879 preference shares - note 2	128,879.00	
2,358,705 common shares	<u>406,745.00</u>	
	535,624.00	
(1,146,895 common shares were issued for cash of		
\$254,379.00 during the year ended December 31, 1964)		
Deficit - schedule 4	<u>27,855.95</u>	507,768.05

\$526,995.63

Issued in accordance with our accompanying report of this date.

ARTHUR A. CRAWLEY & CO.
Chartered Accountants

March 9, 1965

MOUNT COSTIGAN MINES LIMITED
EXPLANATORY NOTES TO FINANCIAL STATEMENTS
December 31, 1964

- Note 1. By agreement dated September 16, 1964, with Broken Hill South Limited, the company sold its interests in the Mount Bischoff property to Comstaff Proprietary Limited an Australian company incorporated as the operating company for further development of the Bischoff property. Under the terms of the agreement Mount Costigan is to receive fully paid shares of Comstaff on the basis of 10% of the issued capital from time to time, until Broken Hill South Limited is satisfied as to the suitability of the planned metallurgical extraction process for Mount Bischoff ore, and thereafter Mount Costigan is to receive additional shares to bring its share-holdings up to 18% of the issued capital, and will receive 18% of any issues thereafter, until 3,000,000 pounds sterling shall have been subscribed. Funds expended by Mount Costigan on the property, totalling \$86,616.70, comprise the cost of the company's present and future minority interest in shares of Comstaff Proprietary Limited up to a subscribed capital of 3,000,000 pounds sterling. At December 31, 1964 Mount Costigan had received 13,445 common shares of Comstaff Proprietary Limited, being 10% of the issued capital at that date.
- Note 2. The holder of each preference share issued has the right to purchase 5 common shares in the capital stock of the company at 20 cents per share. The company has granted an extension of three months in the time within which these rights may be exercised and outstanding rights will expire May 14, 1965. During the year ended December 31, 1964 rights were exercised to purchase 621,895 common shares for a total of \$124,379.00. 22,500 common shares have been set aside for outstanding rights at December 31, 1964.
- Note 3. 100,000 common shares are reserved for an incentive stock option plan available to directors, consultants, officers and employees, of which specific options have been granted and are outstanding at December 31, 1964 on 82,500 shares at 20 cents per share, exercisable on or before October 25, 1965.

Schedule 1

MOUNT COSTIGAN MINES LIMITED
 STATEMENT OF ADMINISTRATIVE EXPENSES DEFERRED
 Year Ended December 31, 1964

	Balance January 1, 1964	Expended During Year	Balance December 31, 1964
Salaries and wages	\$ 4,324.12	\$ 9,241.66	\$ 13,565.78
Management and consulting fees	4,850.00	5,000.00	9,850.00
Travel	3,222.60	3,711.07	6,933.67
Miscellaneous expense	201.71	895.64	1,097.35
Unemployment insurance	134.55	16.74	151.29
Employees' group insurance	418.18	163.73	581.91
Printing, stationery and office expense	3,271.33	2,129.53	5,400.86
Office rent	1,640.00	1,465.00	3,105.00
Telephone and telegraph	1,919.49	3,431.44	5,350.93
Bank charges	107.65	101.64	209.29
Legal expense	4,565.00	3,214.00	7,779.00
Accounting and auditing	2,325.00	2,100.00	4,425.00
Prospectus and shareholders' information	1,488.00	3,517.76	5,005.76
Capital stock expenses	691.41	6,181.69	6,873.10
Insurance	<u>55.00</u>	<u>22.50</u>	<u>77.50</u>
 Total	 <u>\$ 29,214.04</u>	 <u>\$ 41,192.40</u>	 <u>\$ 70,406.44</u>

Schedule 2

MOUNT COSTIGAN MINES LIMITED
STATEMENT OF EXPLORATION EXPENSES DEFERRED
Year Ended December 31, 1964

	Balance January 1, 1964	Expended During Year	Balance December 31, 1964
Salaries and wages	\$ 25,175.54	\$ 19,988.56	\$ 45,164.10
Consulting fees	5,013.39	4,459.03	9,472.42
Travel	1,488.45	3,690.75	5,179.20
Recording fees and assessments	1,059.00	(736.85)	322.15
Survey expense	278.30	14,327.15	14,605.45
Diamond drilling	-	30,828.80	30,828.80
Assaying	23,153.23	2,765.35	25,918.58
Camp and party living expense	5,225.02	2,960.97	8,185.99
Vehicle expense	6,467.88	4,675.43	11,143.31
Small tools and supplies	1,020.16	290.79	1,310.95
Engineering and geology office expense	1,047.68	882.83	1,930.51
Miscellaneous and direct office expense	<u>1,127.94</u>	<u>760.31</u>	<u>1,888.25</u>
 Total	 <u>\$ 71,056.59</u>	 <u>\$ 84,893.12</u>	 <u>\$ 155,949.71</u>

MOUNT COSTIGAN MINES LIMITED
STATEMENT OF EXPLORATION EXPENSES DEFERRED - BY PROPERTIES
December 31, 1964

	Total	Regional Exploration
Salaries and wages	\$ 45,164.10	\$ 27,681.54
Consulting fees	9,472.42	5,055.04
Travel	5,179.20	3,038.85
Recording fees and assessments	322.15	
Survey expense	14,605.45	
Diamond drilling	30,828.80	
Assaying	25,918.58	20,259.98
Camp and party living expense	8,185.99	3,618.66
Vehicle expense	11,143.31	4,520.50
Small tools and supplies	1,310.95	1,084.16
Engineering and geology office expense	1,930.51	1,502.69
Miscellaneous and direct office expense	<u>1,888.25</u>	<u>1,143.91</u>
Total - schedule 2	<u>\$155,949.71</u>	<u>\$ 67,905.33</u>

Schedule 3

MOUNT COSTIGAN MINES LIMITED
STATEMENT OF EXPLORATION EXPENSES DEFERRED - BY PROPERTIES
December 31, 1964

Costigan Mountain	Lake Ainslie	Gabarouse Bay	O'Hearn Brook	Middle River
\$ 300.00	\$ 9,789.22	\$ 5,676.67	\$ 1,716.67	
1,090.00	375.00	550.00	1,902.38	\$ 500.00
238.48	676.62	941.55	283.70	
107.00	80.00	40.00	95.15	
1,847.85	3,091.60	3,182.70	6,483.30	
	4,127.17	11,074.73	10,218.05	5,408.85
100.00	2,174.70	2,532.50	851.40	
	1,742.29	1,723.63	1,101.41	
199.50	2,371.42	2,043.27	2,008.62	
	61.24	76.44	89.11	
	191.44	130.40	105.98	
<u>17.05</u>	<u>145.58</u>	<u>251.78</u>	<u>181.43</u>	<u>148.50</u>
<u>\$ 3,899.88</u>	<u>\$ 24,826.28</u>	<u>\$ 28,223.67</u>	<u>\$ 25,037.20</u>	<u>\$ 6,057.35</u>

Schedule 4

MOUNT COSTIGAN MINES LIMITED
STATEMENT OF DEFICIT
Year Ended December 31, 1964

Balance, January 1, 1964	\$ 25,910.95
Estimated expenditures on East Claim Group written off	<u>1,945.00</u>
Balance, December 31, 1964	<u>\$ 27,855.95</u>

